

Message Text

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ACTION EA-10

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INFO AMCONSUL BRISBANE

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AMEMBASSY LONDON

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL PORT MORESBY

AMEMBASSY ROME

AMCONSUL SYDNEY

AMEMBASSY TOKYO

USAEC GERMANTOWN

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E.O. 11652: N/A

TAGS: EALR, ENRG, EMIN, TECH, AS

SUBJ: CERP-EAL: CONNOR SPELLS OUT URANIUM POLICY

REF: A. CANBERRA 6865 (NOTAL);

B. CANBERRA A-157 (NOTAL)

C. CANBERRA 5638 (NOTAL)

D. CANBERRA 2927 (NOTAL)

E. CANBERRA 0174 (NOTAL)

1. SUMMARY: CONNOR DETAILS GOA URANIUM POLICY INCLUDING

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GOVERNMENT OWNERSHIP OF NT RESERVES, MAJOR ROLE FOR AAEC, NEW

TREATMENT PLANT AND OTHER SIGNIFICANT INGREDIENTS. STATEMENT APPEARS TO GET URANIUM DEVELOPMENT STARTED BUT UNCERTAINTIES REMAIN.

2. IN OCTOBER 31 PRESS CONFERENCE, MINERALS AND ENERGY MINISTER CONNOR EXPLAINED IN UNPRECEDENTED DETAIL GOA'S PLANS AND POLICIES FOR DEVELOPMENT OF NORTHERN TERRITORY (NT) URANIUM RESOURCES. AFTER DISTRIBUTING STATEMENT, CONNOR ANSWERED PRESS QUESTIONS.

3. MAJOR POINTS MADE BY CONNOR INCLUDED:

A. OWNERSHIP: ALL NT URANIUM BELONGS TO GOA UNDER ATOMIC ENERGY ACT OF 1953-1973. URANIUM IN OTHER PARTS OF AUSTRALIA (E.G., WESTERN MINING CORPORATION'S YEELIRRIE DEPOSIT IN W.A.) COULD BE ACQUIRED BY GOA UNDER ITS DEFENSE POWERS IF IT CHOOSES TO DO SO.

B. ROLE OF AAEC: AUSTRALIAN ATOMIC ENERGY COMMISSION WILL ACT AS GOA AGENT IN MINING, TREATING AND SELLING NT URANIUM. ALL NEW URANIUM EXPLORATION IN NT WILL BE UNDERTAKEN BY AAEC.

C. URANIUM MILL: MILLING PLANT WITH 3,300 SHORT TONS OF U308 (YELLOWCAKE) PER ANNUM CAPACITY WILL BE ESTABLISHED IN NT BY 1978 TO TREAT ORE FROM RANGER DEPOSIT. AAEC AND RANGER PARTNERS WILL SHARE A\$100 (APPROXIMATELY US\$131) MILLION CAPITAL COSTS OF PLANT AND INFRASTRUCTURE ON 72.5-27.5 PERCENT BASIS. "EARLY DUPLICATION" OF PLANT IS ENVISAGED.

D. RANGER DEVELOPMENT: GOA, THROUGH AAEC, WILL FORM 50-50 JOINT VENTURE WITH THE TWO RANGER PARTNERS (PEKO-WALLSEND AND ELECTROLYTIC ZINC, BOTH WHOLLY AUSTRALIAN-OWNED) TO DEVELOP NATION'S LARGEST URANIUM DEPOSIT (RESERVES OF APPROXIMATELY 100,000 SHORT TONS).

E. DEVELOPMENT OF OTHER NT DEPOSITS: QUEENSLAND MINES' NABARLEK DEPOSIT WILL NOT BE DEVELOPED UNTIL AGREEMENT OF ABORIGINAL PEOPLE CONCERNED HAS BEEN GIVEN. DEVELOPMENT OF NORANDA'S KOONGARRA DEPOSIT MUST AWAIT FUTURE NATIONAL PARK LEGISLATION. GOA WILL CONSIDER SEPARATELY QUESTION OF SOME "EARLIER RETURN" FOR SHAREHOLDERS OF THESE TWO AND PANCONTINENTAL'S JABILUKA DEPOSITS.

F. EXPORT CONTRACTS: CONTRACTS APPROVED BY PREVIOUS GOA WILL BE HONORED FROM EXISTING AAEC YELLOWCAKE STOCKPILES AND LATER FROM MARY KATHLEEN (REF B) RANGER MINES WHEN THEY COME INTO OPERATION. NEW EXPORT CONTRACTS WILL BE NEGOTIATED BY AAEC LIMITED OFFICIAL USE

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DIRECTLY WITH FOREIGN GOVERNMENTS. JAPAN, ITALY AND WEST GERMANY ("OUR MAJOR TRADING PARTNERS") WILL BE ASSURED EQUITABLE SHARES OF AUSTRALIA'S URANIUM EXPORTS, BUT APPARENTLY NO NEW CONTRACTS WILL BE APPROVED UNTIL AFTER NEW MILL COMPLETED. NON-PROLIFERATION TREATY WILL BE "TAKEN INTO ACCOUNT" IN FUTURE EXPORTS.

G. FOREIGN PARTICIPATION: NO FURTHER FOREIGN EQUITY IN URANIUM EXPLORATION OR DEVELOPMENT WILL BE ALLOWED ALTHOUGH PRESUMABLY OVERSEAS INTERESTS ALREADY HERE (PANCONTINENTAL,

NORANDA AND MARY KATHLEEN) WILL NOT BE FORCED OUT. FUTURE EXPORTS TO ANY COUNTRY WILL NOT DEPEND ON WHETHER THAT COUNTRY DOES OR DOES NOT SPONSOR LOCAL URANIUM EXPLORATION.

H. ENRICHMENT: NOT ALL URANIUM EXPORTS WILL BE IN ENRICHED FORM. GOA APPROACH WILL BE "PRAGMATIC". TIME REQUIRED TO ESTABLISH MILL WILL ALLOW FULL CONSIDERATION OF TECHNOLOGY TO BE USED IN ANY LOCAL ENRICHMENT PLANT (REFS C AND D). IN ADDITION TO STUDYING GASEOUS DIFFUSION AND CENTRIFUGE, GOA HAS BEEN DISCUSSING "JOINT ACQUISITION OF TECHNOLOGY" WITH JAPANESE GOVERNMENT.

I. FUTURE EXPLORATION: WHILE PRIVATE COMPANIES NOW HOLDING VALID EXPLORATION LICENSES IN NT WILL BE ALLOWED TO CONTINUE SEARCHING FOR URANIUM, AAEC WILL EVENTUALLY CARRY OUT ALL SUCH EXPLORATION IN NT.

4. CONNOR ALSO BLAMED "HUMBUGGING" BY OPPOSITION FOR DELAY IN FORMULATING HIS URANIUM POLICY AND PROCLAIMED "END OF THE ERA OF CHEAP URANIUM". ATTACHED TO HIS PRESS STATEMENT WAS MEMORANDUM OF AGREEMENT ON AAEC-RANGER JOINT VENTURE SIGNED BY PRIME MINISTER WHITLAM, DEPUTY PRIME MINISTER CAIRNS, CONNOR AND SENIOR EXECUTIVES OF PEKO-WALLSEND AND ELECTROLYTIC ZINC.

5. CONNOR'S LONG-AWAITED POLICY STATEMENT HAS BEEN WELCOMED BY DOUG ANTHONY, LEADER OF OPPOSITION COUNTRY PARTY, AND SEVERAL INDUSTRY LEADERS. WHILE SOME HAVE CRITICIZED "SOCIALIZATION" OF NT URANIUM AND RAISED OTHER QUESTIONS ABOUT GOA POLICIES, GENERALLY BUSINESS SEEMS RELIEVED THAT MANY NEW DETAILS HAVE BEEN GIVEN AND THAT CONNOR'S POLICIES ARE NOT AS BAD AS MANY ANTICIPATED.

6. EMBASSY COMMENT: CONNOR APPEARS TO HAVE ADROITLY IF TARDILY ENUNCIATED A URANIUM POLICY THAT SATISFIES MANY POLITICAL OBJECTIVES. DESPITE COSTLY DELAYS IN PAST, RANGER PARTNERS AND LIMITED OFFICIAL USE

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OTHER COMPANIES CAN NOW SEE INDICATIONS THAT SERIOUS DEVELOPMENT OF URANIUM RESOURCES WILL SOON BEGIN, EVEN IF NOT WHOLLY ON THEIR TERMS. COMPANIES WHICH HAVE LOCATED URANIUM CAN EXPECT FAIRLY HANDSOME RETURNS UNDER CONNOR'S RANGER FORMULA. ECONOMIC NATIONALISTS IN AUSTRALIA CAN TAKE SATISFACTION FROM GOA OWNERSHIP (WHICH SEEMS TO BE UNASSAILABLE LEGALLY) OF NT RESERVES AND HIGHER PRICES FUTURE URANIUM EXPORTS WILL COMMAND. LASTLY, APPARENT DIVERGENCE OF VIEWS BETWEEN INTERNATIONALIST WHITLAM AND "AUSTRALIA-FIRSTER" CONNOR (REF A) HAS BEEN GREATLY BLURRED BY CONNOR'S PROFESSED WILLINGNESS TO TAKE URANIUM OUT OF GROUND AND ALLOW OVERSEAS ACCESS TO IT ON HIS TERMS. CONNOR'S STATEMENT APPEARS TO FLASH GREEN LIGHT FOR LONG-STYMIED URANIUM COMPANIES EVEN THOUGH MANY IMPORTANT QUESTIONS (E.G. CAN AAEC OR OTHER GOA ENTITY REALLY EXPLORE AS EFFECTIVELY AS PRIVATE COMPANIES AND UNDER WHAT FORMULA WILL FORMER

SUPPLANT LATTER?) REMAIN.
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